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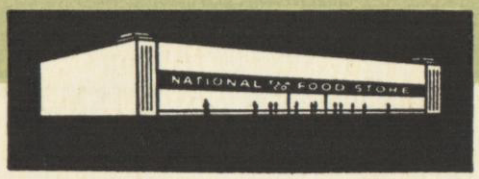
National Tea Co.



ANNUAL REPORT 1940

MRB
CORP. FILE

NATIONAL TEA CO.

★ MAIN OFFICE & WAREHOUSE

○ BRANCH OFFICES & WAREHOUSES

● CITIES IN WHICH STORES ARE OPERATED

National Tea Co.

ANNUAL REPORT TO THE
STOCKHOLDERS FOR YEAR
ENDING DECEMBER 31, 1940

NATIONAL TEA CO.
MAIN OFFICE
CHICAGO WAREHOUSE
MILWAUKEE WAREHOUSE
MINNEAPOLIS
WAREHOUSE
NATIONAL TEA CO. FOOD STORES
QUALITY GROCERS
NATIONAL
NATIONAL TEA CO. FOOD STORE
NATIONAL TEA CO.
FOOD STORES
NATIONAL

Annual Report to the Stockholders

TO OUR STOCKHOLDERS:

We are glad to say that our hopes of a year ago for further improvement have been realized. The net result is over $700,000 better than 1939, in that we have turned a loss of $369,079.95 to a profit of $346,390.62.

Our sales for 1940 were 8.96% over the year before, and are shown by quarters as follows:

First quarter (12 weeks)	$14,410,868
Second quarter (12 weeks)	13,894,579
Third quarter (16 weeks)	18,195,640
Fourth quarter (12 weeks)	15,418,356
Year	$61,919,443

We have closed 40 stores and opened 29, leaving a total as of January 1, 1941 of 1,062, as compared with 1,073 on January 1, 1940. Of the locations operated, 168 are owned, the remainder on leases as follows: 613—one year or less; 165—one to three years; 74—three to five years; 42—in excess of five years. We also own 13 locations in which we do not have stores at the present time.

We continue to show larger average sales per week per location, as the process of closing small unprofitable stores and opening larger stores goes on. Increasing averages per location are shown as follows:

	1937	1938	1939	1940
First quarter (12 weeks)	$1,036	$941	$ 944	$1,122
Second quarter (12 weeks)	945	934	952	1,093
Third quarter (16 weeks)	901	890	989	1,074
Fourth quarter (12 weeks)	918	976	1,129	1,210
Year	$ 946	$932	$1,002	$1,125

Since January 1, 1941 we have secured locations for twenty new stores and, in addition, arranged to increase the size of four old ones and remove nine existing stores to better locations.

On March 18, 1940 we paid up our longstanding loans at the banks, and to this date have had no occasion for further borrowing.

On November 25 we paid one year's accumulated preferred dividends. There is now an accumulation to December 31, 1940 of $170,536. We hope to give attention to the reduction of this amount during 1941.

During the year we have sold five pieces of real estate. We think this is far from satisfactory, but those who know 1940 real estate conditions will understand the difficulties. We have made no additions, other than a few minor changes in property already owned by us.

Repairs during the year have amounted to $488,117, and we can confidently state that the physical condition of our stores is better than it has been for years. However, we are far from being satisfied, and it is our purpose to continue the work that has been so well started.

In addition to the repair item we have expended during the year $389,063 on new equipment of various sorts. Depreciation rates charged in the past are continued, and appear to be ample in view of the number of assets that are fully depreciated and are still in use.

Commitments for merchandise beyond our current needs are approximately $250,000. While this is more than a year ago, we regard the amount as a very modest one.

The explanation of the small amount reserved for Federal income taxes in 1940 is that a provision of the law permits a deduction for losses sustained in the preceding year.

We take this opportunity to express to everyone that works for this company our appreciation for the efforts which have produced this year's results. We think these results are an evidence of the harmonious teamplay that is a present condition in this business.

By order of the Board of Directors,

John McKinlay

PRESIDENT

February 28, 1941

Consolidated

DECEMBER 31,

Assets

	Dec. 31, 1940	*Dec. 31, 1939*
CURRENT ASSETS:		
Cash	$ 1,636,058.17	$ 1,677,404.54
Accounts receivable—		
Trade	$ 299,059.07	$ 233,645.47
Due from relief agencies	181,483.08	191,444.09
Other	30,892.17	51,888.54
	$ 511,434.32	$ 476,978.10
Less: Reserve	67,685.68	66,917.95
	$ 443,748.64	$ 410,060.15
Inventories, at lower of cost or market—		
Merchandise	$ 4,228,641.27	$ 3,694,007.39
Supplies	142,880.03	144,929.27
	$ 4,371.521.30	$ 3,838,936.66
Total current assets	$ 6,451,328.11	$ 5,926,401.35
OTHER ASSETS:		
Notes receivable (less reserve of $2,923.38 at December 31, 1940)	$ 2,227.47	$ 4,027.71
Due from employes for cars purchased from Company	None	1,132.32
Mortgages receivable	29,673.84	32,460.12
Investments	386.50	1,634.00
	$ 32,287.81	$ 39,254.15
FIXED ASSETS—At cost, except buildings: (The net value of buildings was written down against earned surplus in 1935. This write-down as to buildings owned at December 31, 1940 amounts to $1,072,793.28):		
Land	$ 3,287,847.66	$ 3,379,139.89
Leaseholds and improvements, being amortized	$ 114,307.41	$ 119,692.91
Buildings	$ 4,845,589.01	$ 4,931,779.42
Less: Reserve for depreciation	1,884,161.23	1,768,475.31
	$ 2,961,427.78	$ 3,163,304.11
Store fixtures and equipment	$ 5,563,739.63	$ 5,647,256.65
Less: Reserve for depreciation	4,359,987.30	4,280,186.90
	$ 1,203,752.33	1,367,069.75
Machinery, fixtures and equipment	$ 1,725,581.67	$ 1,767,076.48
Less: Reserve for depreciation	1,494,286.09	1,508,611.35
	$ 231,295.58	$ 258,465.13
Delivery equipment	$ 659,136.77	$ 742,929.32
Less: Reserve for depreciation	468,292.28	597,280.79
	$ 190,844.49	$ 145,648.53
Total fixed assets	$ 7,989,475.25	$ 8,433,320.32
GOOD WILL	$ 1.00	$ 1.00
DEFERRED CHARGES:		
Prepaid rents, taxes, insurance, etc.	$ 84,302.20	$ 100,302.81
	$14,557,394.37	$14,499,279.63

Balance Sheet

1940 AND 1939

Liabilities and Capital

		Dec. 31, 1940	*Dec. 31, 1939*
CURRENT LIABILITIES:			
Notes payable—			
Banks		$ None	$ 350,000.00
Real estate mortgages		50,786.32	30,631.54
		$ 50,786.32	$ 380,631.54
Accounts payable—			
Trade		$ 1,547,575.23	$ 1,360,339.03
Commercial letters of credit secured by merchandise		91,935.92	123,236.45
Accrued expenses:			
Pay rolls and commissions		188,568.95	108,420.89
Taxes		702,901.49	672,982.22
Interest		6,626.45	8,297.04
Employes' deposits		3,973.14	4,184.83
		$ 2,541,581.18	$ 2,277,460.46
Total current liabilities		$ 2,592,367.50	$ 2,658,092.00
REAL ESTATE MORTGAGES:			
Due serially within six years		$ 156,512.32	$ 255,625.62
Due after six years		285,989.37	350,537.37
		$ 442,501.69	$ 606,162.99
ACCOUNT PAYABLE (Re store lease cancelled):			
Payable $3,000 per annum		$ 20,000.00	$ 23,000.00
RESERVE FOR SELF INSURANCE		$ 106,708.70	$ 83,889.93
CAPITAL STOCK:			
Preferred, 5½% cumulative, par value $10, redeemable at par on call or liquidation—	*Shares*		
Authorized and issued	200,000	$ 2,000,000.00	$ 2,000,000.00
Less: Held in treasury	56,893	568,930.00	568,930.00
Outstanding	143,107	$ 1,431,070.00	$ 1,431,070.00
Common, no par value—			
Authorized	800,000		
Issued	660,000	$ 8,250,000.00	$ 8,250,000.00
Less: Held in treasury	37,350	466,875.00	466,875.00
Outstanding	622,650	$ 7,783,125.00	$ 7,783,125.00
SURPLUS, per statement attached:			
Paid-in		$ 69,398.05	$ 69,398.05
Earned—			
Restricted by reason of purchase of treasury stock		966,406.95	966,406.95
Unrestricted		1,145,816.48	878,134.71
		$ 2,181,621.48	$ 1,913,939.71
		$14,557,394.37	$14,499,279.63

Dividends on preferred stock are in arrears from November 1, 1938 in the amount of $1.19 per share and $170,536 in total to December 31, 1940.

Consolidated Statement of Income and Surplus

FOR THE YEARS ENDED DECEMBER 31, 1940 AND DECEMBER 31, 1939

	Year ended December 31	
	1940	*1939*
Sales	$61,919,443.02	$56,824,450.39
Deduct:		
Cost of sales and expenses *(Note 1)*	$60,930,009.37	$56,446,876.90
Depreciation	627,823.13	708,456.21
	$61,557,832.50	$57,155,333.11
Net operating profit or *loss*	$ 361,610.52	$ *330,882.72*
Add:		
Depreciation—prior years adjustments	$ 16,110.74	None
Dividends received from investments	28.75	81.91
Profit on disposal of fixed assets	2,309.67	*5,341.91*
Refunds of processing taxes	None	695.88
	$ 18,449.16	$ *4,564.12*
	$ 380,059.68	$ *335,446.84*
Deduct: Interest	26,669.06	33,633.11
Net profit or *loss* before provision for federal income taxes	$ 353,390.62	$ *369,079.95*
Provision for federal income tax *(Note 2)*	7,000.00	None
Net profit or *loss* transferred to surplus	$ 346,390.62	$ *369,079.95*
Earned surplus at beginning of year	1,844,541.66	2,213,621.61
	$ 2,190,932.28	1,844,541.66
Deduct: Preferred dividend (55c per share)	78,708.85	None
Earned surplus	$ 2,112,223.43	$ 1,844,541.66
Paid-in surplus, being excess of par or stated value of treasury stock over cost	69,398.05	69,398.05
Surplus as per balance sheet	$ 2,181,621.48	$ 1,913,939.71

Italic figures indicate loss

Note 1: Includes rent received for space not used by the company in store properties owned or leased amounting to $206,070.92 in 1940 and $199,835.45 in 1939, before deducting depreciation, taxes, rent paid and other expenses applicable to this space.

Note 2: No provision is required for excess profits tax. The return for this tax for 1940 will be filed on invested capital basis.

Auditor's Certificate

TO THE STOCKHOLDERS,
NATIONAL TEA CO.,
CHICAGO, ILLINOIS

We have examined the consolidated balance sheet of National Tea Co. (Illinois Corporation) and subsidiaries as of December 31, 1940 and the consolidated statement of income and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate.

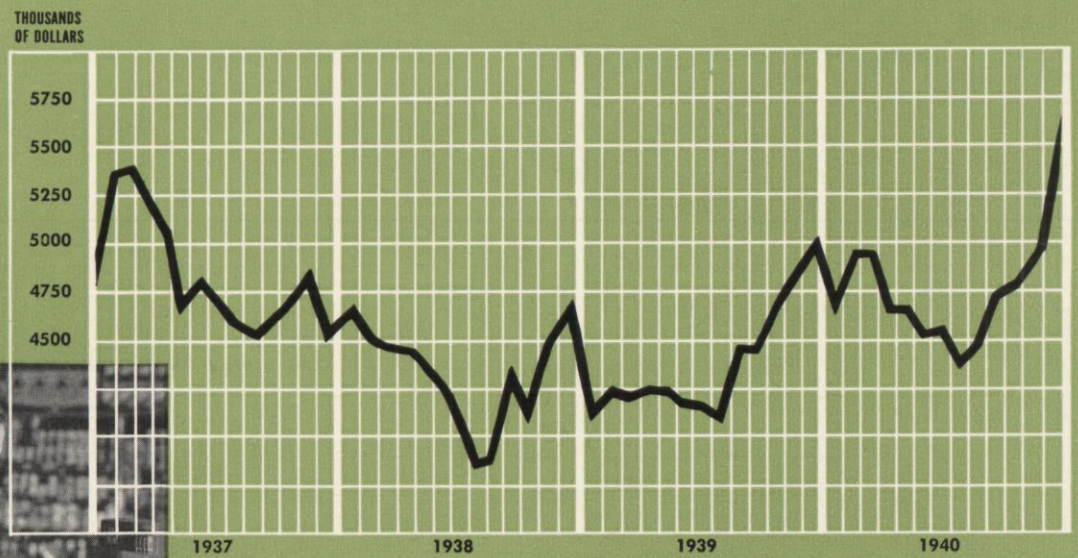
In our opinion, the accompanying consolidated balance sheet and related consolidated statement of income and surplus present fairly the consolidated position of the companies at December 31, 1940 and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

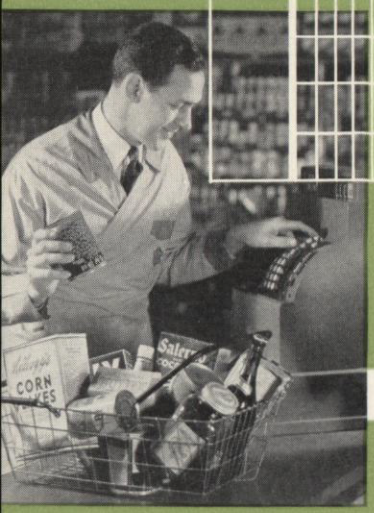
We had previously made an examination of the accompanying consolidated balance sheet as at December 31, 1939 and the consolidated statement of income and surplus for the year ended that date, which are presented for the purpose of comparison.

ARTHUR YOUNG & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

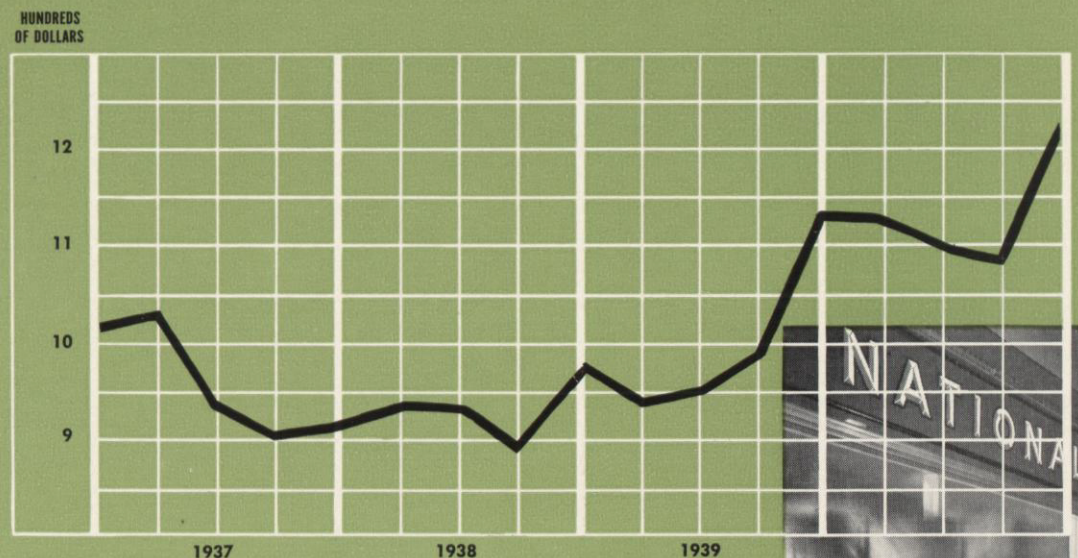
Chicago, Illinois
February 15, 1941

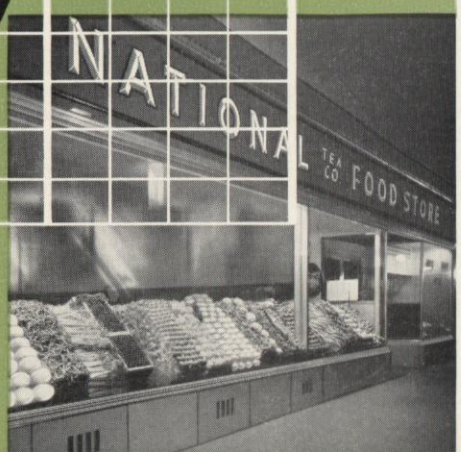
SALES (By periods of four weeks)



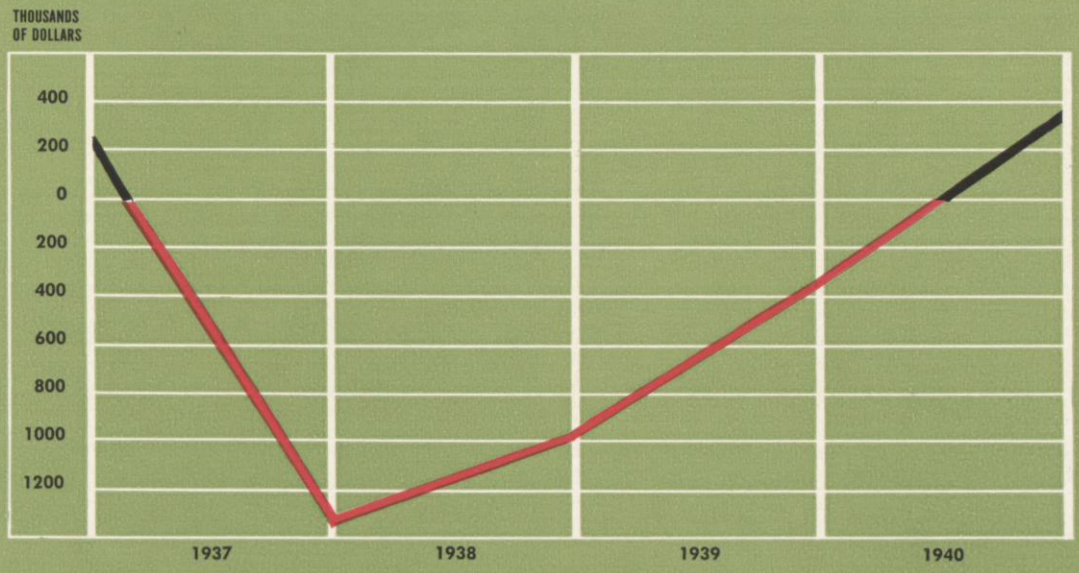


WEEKLY STORE SALES





PROFIT OR LOSS



BANK LOANS

DIRECTORS

BURT J. DICKENS

JOSEPH L. MERRILL

JOHN McKINLAY

GEORGE RASMUSSEN, JR.

ROBERT V. RASMUSSEN

WILLIAM E. RUSSELL

JUDSON F. STONE

OFFICERS

JOHN McKINLAY, *President*

BURT J. DICKENS, *Executive Vice President*

ROBERT V. RASMUSSEN, *Vice President*

WILLIAM E. RUSSELL, *Secretary · Comptroller*

TH. RASMUSSEN, *Treasurer*

GEORGE RASMUSSEN, JR., *Assistant Secretary*

CLARENCE E. BEARD, *Assistant Treasurer*

Color Pages Feature Quality-Appeal in Holiday Advertising

NATIONAL suggests
CAST-RITE waterless COOKWARE
A Flavorful Way to Say Merry Christmas
CAST-RITE COFFEE MAKER
$2.69
CAST-RITE SAUCE PAN
A Flavor-Saving Christmas Gift
$1.49
CAST-RITE OVAL ROASTER
The Joy of Every Homemaker!
$4.99
CAST-RITE FRY PAN
For a Sizzling Good Christmas
$1.09
CAST-RITE DUTCH OVEN
A Practical Gift for Economical Use
$2.99
Easy to Buy Perfect to Give
WHEN YOU USE NATIONAL'S CONVENIENT CARD PLAN
Start a Card Today
now at about 1/4 FORMER HOME DEMONSTRATION PRICES (Prior 1935) this CARD PLAN
Satisfaction Guaranteed 30 DAYS TRIAL
Give The Gift That Makes Every Meal A Feast
NATIONAL TEA CO. Food Stores
YOUR HOME TOWN FOOD STORES Since 1899

Following a tradition of years, two four-color newspaper ads were run during the Christmas season.

From the comments of personnel, as well as the consumer herself, emphasis on fine quality instead of routine price-appeal is well worth the effort.

National Made Enriched Bread a Year Ago

A little over a year ago National bakers produced the first loaf of Golden Grain Bread — a large 20-oz. loaf (24 ozs. in Milwaukee and Minneapolis units) containing the embryo of the wheat.

Today news reports claim that a similar bread is compulsory in wartime Britain. In addition, the federal government is financing a study by the National Research Council, evidently anticipating a similar need here.

Aside from the remarkable health-giving properties contained in this loaf, Golden Grain is unique in appearance, length of freshness, and superior toasting and taste qualities.

Temperature Control . . Wider Variety . . Help Increase National Tea Co.'s Produce Sales

Today the per capita consumption of fruits and vegetables in this country is 23 per cent greater than it was fifteen years ago.

The railroads have contributed materially to this advance by protecting produce in transit from heat and cold. Initiating effective methods of its own, National Tea Co. has continued this process of temperature control in trucking produce from warehouse to store.

By thus safeguarding produce quality and by offering wider variety National Tea Co. has made an important contribution to the nation-wide upward swing in fruit and vegetable consumption.

THIS PHOTOGRAPH MADE AT
1161 NO. STATE ST. CHICAGO

NATIONAL TEA CO.

★ MAIN OFFICE & WAREHOUSE

○ BRANCH OFFICES & WAREHOUSES

● CITIES IN WHICH STORES ARE OPERATED

PRINTED IN U. S. A.